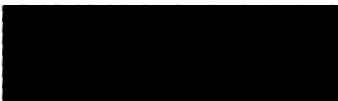


Internal Revenue Service

Department of the Treasury

**District
Director**



Person to Contact:

Telephone Number:

Reply Reply to:

Date: MAR 22 1985

Dear Sir or Madam:

This is a final adverse determination letter. Your application for tax exempt status under section 501(c)(3) of the Internal Revenue Code of 1954 is hereby denied. That statute provides for exemption from Federal income tax for corporations or any community chest, fund or foundation that is organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary or educational purposes and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Your articles of incorporation do not restrict your purposes to one or more exempt purposes set forth in section 501(c)(3) of the Code nor do your articles of organization provide for the distribution of assets in the event of dissolution to charitable organizations described in section 501(c)(3) of the Code or to the Federal, State or local government for public purposes. Providing a place and the means to market the works of your members are a vehicle for advancing their careers. They serve the private purposes of your members and considered to be direct benefits to the individual artist and crafter. Accordingly, your application for recognition of exemption under section 501(c)(3) of the Code is denied.

By our letter dated September 11, 1984, we proposed to deny your application for tax exempt status under section 501(c)(3) of the Code.

You have agreed to this determination by signing Form 6018, Consent to Proposed Adverse Action. Accordingly, this letter becomes our final determination.

Since you are not exempt, you must file all Federal tax returns required of you by the Internal Revenue Code.

Contributions to you are not deductible by donors under section 170(c) of the Code.

[REDACTED]

A copy of this notification has been furnished to the appropriate state officials in accordance with section 6104(c) of the Internal Revenue Code.

This is a denial letter.

Sincerely yours,

[REDACTED]

[REDACTED]

District Director

Internal Revenue Service

Department of the Treasury

District
Director

P.O. Box 2598
Cincinnati, OH 45201

Person to Contact:

Telephone Number:

Refer Reply to:

CALC

Date:

SEP 11 1984

Dear Sir or Madam:

We have considered your exemption application, Form 1023, as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1954.

The information submitted disclosed that you were incorporated on [REDACTED], under the laws of the State of [REDACTED].

Your purposes as set forth in the second article of your Articles of Incorporation are as follows:

To encourage economic development in [REDACTED] through the marketing of locally produced arts and crafts and other products of quality workmanship and materials.

To engage in any one or more lawful mode or modes of acquiring, producing building, operating, manufacturing, furnishing, exchanging, or distributing any type or types of property, commodities, goods or services for the primary and mutual benefit of the patrons of the corporation (or their patrons, if any) as ultimate consumers.

To educate consumers in the principles of consumer co-operation.

To encourage the development of consumer co-operative enterprises.

Your By-laws indicate that the purpose of the organization is to encourage economic development, create jobs, and produce revenue through the uniform marketing of arts, crafts and other products of quality workmanship and materials.

Membership in your organization will consist of two types:

Marketing Membership: Member eligible to market their works and products according to quality control selection procedures. Each individual marketing member shall have voting privileges assigned as one vote per member.

General Membership: General Memberships shall have access to all benefits of [REDACTED] except marketing and without benefit of vote. Your application discloses that the organization will provide the opportunity to members of target population, for improving their quality of life through income enhancement and this opportunity would not exist but for the operation of the organization.

Your receipts consist of a membership fee, grants and commissions from sale of membership art or craft works.

Section 501(c)(3) of the Code provides for the exemption from Federal income tax of organizations that are organized and operated exclusively for religious, charitable, scientific, literary or educational purposes.

Section 1.501(c)(3)-1(d)(1) of the Income Tax Regulations provides that in order to be exempt as an organization described in section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

Section 1.501(c)(3)-1(b)(1)(i) of the Regulations provides that an organization is organized exclusively for one or more exempt purposes only if its articles of organization:

- a.) Limit the purposes of such organization to one or more exempt purposes; and
- b.) Do not expressly empower the organization to engage, otherwise than an insubstantial part of its activities, in activities which in themselves are not in furtherance of one or more exempt purposes.

In addition, section 1.501(c)(3)-1(b)(4) of the Regulations provides that an organization must also dedicate its assets to an exempt purpose. Upon dissolution, such assets must, by reason of a provision in the organization's articles or by operation of law, be distributed for one or more exempt purposes as defined in the regulations.

Your Articles of Incorporation fail, in all of the respects above, to meet the organizational test.

In order to meet the operational test, an organization must be operated exclusively for exempt purposes as described in section 501(c)(3) of the Code.

Your major activity is marketing the work of your members from which the organization receives commission income.

Section 1.501(c)(3)-1(d)(1)(ii) of the Income Tax Regulations provides that an organization is not organized and operated for educational purposes unless it serves a public rather than a private interest.

Providing a place and the means to market the works of your members are a vehicle for advancing their careers. They serve the private purposes of your members and considered to be direct benefits to the individual artist and crafter.

[REDACTED]

Therefore, we propose to deny your application for recognition of exemption under section 501(c)(3) of the Code. It is also our opinion that you can not qualify for exemption under any of the other sections of the Internal Revenue Code. Therefore, you are required to file Federal income tax returns annually on Form 1120.

If you are in agreement with our determination, please sign and return the enclosed Form 6018, Consent to Proposed Adverse Action.

Contribution to your organization are not deductible under section 170 of the Code.

You have the right to protest this proposed determination if you believe that it is incorrect. To protest, you should submit a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892 (Rev. 7-83), "Exempt Organization Appeal Procedures for Unagreed Issues". The appeal must be submitted within 30 days from the date of this letter and must be signed by one of your principal officers. You may request a hearing with a member of the office of the Regional Director of Appeals when you file your appeal. If a hearing is requested, you will be contacted to arrange a date for it. The hearing may be held at the Regional Office, or if you request, at any mutually convenient District Office. If you are to be represented by someone who is not one of your principal officers, he must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements as set forth in section 601-502 of the Statement of Procedural Rules. See Treasury Department Circular No. 230.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that, "A declaratory judgement or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

If we do not hear from you within the time specified, this will become our final determination. In that event, appropriate State officials will be notified of this action in accordance with the provisions of section 6104(c) of the Code.

This is a proposed denial letter.

Sincerely yours,
[REDACTED]

[REDACTED]
District Director